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Klein, Henry H.

Save New York from the greed of the money gang

[New York]

[1917]

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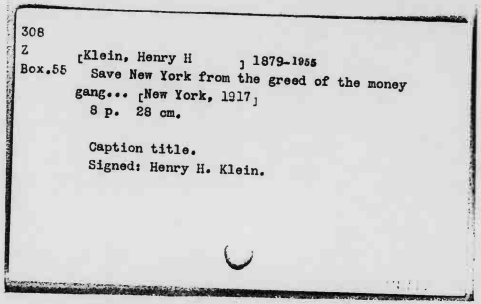
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SAVE NEW YORK

FROM THE GREED OF THE MONEY GANG

To the People of New York City:

The principal resources of the City of New York are in the hands of individuals and private corporations. The only remaining asset of importance is the waterfront which the city once owned outright and on which the people have spent more than $100,000,000 for piers, bulkheads and other improvements. The railroads are trying to grab the waterfront. The New York Central wants the entire west side; the Pennsylvania and Long Island Railroads want South Brooklyn; the New Haven wants the Bronx, and the B. & O. wants Staten Island.

If the railroads are given exclusive right to the city's waterfront, the city becomes the vassal of the railroads, which will not only absorb a large part of the revenue from public piers, but will control the waterfront for virtually every other purpose.

The New York Central, with the aid of the Mayor and Comptroller, has gone far with its scheme, which awaits only formal execution by the Board of Estimate. All the preliminaries of the plan have been carried out. The city purchased Inwood Park to provide new track facilities for the railroad, the dock department has spent $8,000,000 improving piers and constructing gigantic new ones from 44th to 60th streets to bring the bulk of shipping there and the Central, through subsidiary companies, has acquired scores of parcels of real estate for warehouse and other purposes along the west side and throughout the city. The railroad owns the Biltmore and Manhattan hotels and is building a new 26-story structure at 42nd street and Lexington avenue. In a short time the cost of [illegible] more than ever depend on what the Central and other railroads charge for transportation and [illegible]

The plan to turn over the South Brooklyn waterfront to the Pennsylvania and Long Island railroads has been urged by Mayor Mitchel for several years. The officials of these roads are not willing to operate the marginal railway without control of the storage facilities. The warehouses along the proposed marginal way are owned by the Bush Terminal Company and the New York Dock Company, and the Mayor has urged that the city relieve these corporations of their track franchises and equipment and leave them the warehouse properties. In addition, the Mayor wanted the city to pay Mr. Bush $10,100,000 for seven piers which cost one-third this sum to construct, besides paying him $2,557,000 and the New York Dock Company $1,676,000 for equipment and franchises. Fortunately for the city, the terminal companies will not part with their warehouses and the railroads will not operate the road without storage facilities and the city is thus saved the sacrifice which the mayor is anxious to make at the expense of the people. The net result of the entire project thus far is that the city owes William H. Reynolds, the mayor's friend, more than $1,000,000 for property acquired in conjunction with the projected railroad which may never be built.

The project to annex the Bronx waterfront to the New Haven Railroad is maturing quietly and will blossom soon in the guise of a movement for terminal markets and the B. & O. plans for Staten Island will develop in due time. If the railroads get the waterfront, all the terminal markets will be controlled by them and the city's total investment of more than $200,000,000 for waterfront property and improvements will become an asset of the railroads.

The Rockefeller-Standard Oil group is the chief beneficiary of all the railroads that have their terminals in this city and of those that lease city piers. They are also largely interested in steamship property. Mr. Rockefeller controls the Consolidated Gas Company which owns the Edison Company and he is the controlling factor in every lighting company in the city. The companies are capitalized at more than $400,000,000. Mr. Rockefeller controls the Manhattan "L" which owns all the elevated lines in Manhattan and the Bronx and which enjoys a guarantee of 7 per cent. dividend on $60,000,000 stock. Under the contract between the city and the Interboro, the city is responsible for this guarantee. The company also pays interest on $40,000,000 bonds and is overcapitalized at least 50 per cent. Mr. Rockefeller owns bonds in the surface lines and he is the most important financial factor in the transportation lines in the city.

Mr. Rockefeller is credited with owning more than $100,000,000 of city bonds and his appointees occupy the principal public offices. He is one of the largest contributors of record to Mayor Mitchel's campaign fund in 1913 and he will try to re-elect Mr. Mitchel or a satisfactory successor. Mr. Rockefeller contributes $25,000 a year to the Bureau of Municipal Research, about $50,000 a year to the organizations known as the "charity trust," about $15,000 a year to the Public Education Association that tries to direct the city's school affairs and he contributes to other organizations that exert influence on the city's health and correctional departments.

John D. Rockefeller's income from the people of the City of New York is about $20,000,000 a year. His total annual income is estimated at $100,000,000. His total wealth is estimated at Two Billion Dollars ($2,000,000,000)—about one-ninetieth of the estimated wealth of all the people in the United States.

Are we to become the subjects of Rockefeller because we permitted Rockefeller Greed to enslave us? Is New York to be ruled by Rockefeller while the people pay $250,000,000 a year to conduct its government? Is Rockefeller to continue to draw the bulk of profits from all public utilities in the city while the cost of government and cost of living mount beyond the reach of ordinary incomes?

Every dollar of physical value in the public utilities in this city has been put into them through EXCESS earnings over and above a fair return on capital invested. Most of the franchises on which the gas and electric companies operate, have expired. The conduit franchise on which the telephone monopoly is based, is probably void because of fraud on the city. Why should not the city retake these franchises?

The time to overthrow the Rockefeller control of government in the City of New York is NOW. Save New York from the Greed of the money gang. Rescue it from the control of Rockefeller railroads and public utilities and from the control of other corporations which he directs. Rockefeller money is invested in the Title Guarantee and Trust Company and in the milk trust, and in other corporations that come under the jurisdiction of city and state government. Turn the Rockefeller [illegible] out of relief office in the city just as the federal government [illegible] and educational bureaus. Save the city from the domination of the money class headed Rockefeller and Morgan.

Will the people wake up to save their property? Do they realize that at the present rate of expenditure the constitutional limit of taxation will be reached by 1920? The constitutional limit of borrowing is already exceeded. Property owners are now taxed almost out of their possessions to defray the excessive cost of government and rent payers are oppressed with exorbitant charges so that landlords may meet their ever-increasing tax and assessment bills.

Save New York from the Greed of the Money Gang and join the VIGILANCE LEAGUE now being organized to wrest control of city government from Rockefeller and his associates. Send $1 to the undersigned to help defray expenses (a treasurer will be selected later) and enlist your services in an active campaign to defeat the candidates of the Money Gang in the municipal election next fall. The farmers in North Dakota overthrew money control two years ago and elected their own state officials through the regular political parties and they are now constructing state grain elevators, flour mills, packing houses, etc. The people of New York, with many times greater interests at stake, can accomplish the same result and save the city for the people.

Send your name, address and contribution to Henry H. Klein, Tribune Building, N. Y. City (Telephone Beekman 3584) and help restore the government of New York City to the people. Your contribution is needed for printing, postage and necessary incidental expenses.

Very truly yours,

Henry H. Klein

How William H. Reynolds (Mayor Mitchel's Pal) and His Associates "Trimmed" New York City Out of Several Million Dollars

(Revealed in reports to Frank Moss, Chief counsel to Thompson Legislative Committee, by Henry H. Klein, chief investigator)

In view of the fact that in February, 1917, Dock Commissioner Smith, with the aid of the city's law department, introduced a bill in the legislature, the enactment of which would have enabled him to sell to William M. Greve, business associate of William H. Reynolds, the mayor's pal (both agents of the Realty Associates), more than one hundred acres of land under water belonging to the City of New York in Gravesend, off Sheepshead, in Jamaica Bay (Kings County); in view of the fact that the dock commissioner, through the city's legal representative in Albany, attempted to smuggle this bill through the legislature in the guise of a "patriotic" measure to enable the federal government to acquire property at Rockaway Point (which is in Queens, NOT Kings County), which Greve had been trying to sell the federal government for a year; in view of the fact that the dock commissioner failed a year before to pass a bill to the same effect because of exposure and in view of the fact that William M. Greve seized and filled in several acres of city land under water in Hog Creek inlet, at Sheepshead Bay, in the old town of Gravesend, and that the city authorities have failed to compel Greve to remove the thousands of tons of fill and restore the property as it was or to prosecute him for his act, the following reports are of particular and significant interest. Greve seized the property in May, 1915, and the abortive legislative efforts of the dock commissioner and the city authorities followed. Had either bill been enacted into law, the dock commissioner with the approval of the Sinking Fund Commission, of which the mayor is chairman, could have legalized Greve's grab and could sell him all the additional land under water in Jamaica Bay that Greve and his associates want. The city, through Mayor Mitchel and Comptroller Prendergast, recently paid Greve and his associates $5,000 an acre for 47 acres of land under water at Rockaway, which they acquired from the state for $200 an acre, and the city and state have bought other land under water from this group, which they acquired for only a nominal sum from either the city or state or from private owners who obtained the land under water from the state.

Why is the dock commissioner still in office? The grand jury in New York and Kings County should examine the city's law expert who drew the bills and the city's legal representative in Albany who caused the bills to be introduced. Is the mayor part of the conspiracy? His personal relations and the personal relations of other city officials with Greve, Reynolds, Frank Bailey, the Realty Associates and the Title Guarantee and Trust Company, should be investigated. The city's interest has been greatly damaged through the operations of Greve and Reynolds and their backers, and the mayor, comptroller and other public officials are responsible.

September 1, 1916.

Hon. Frank Moss,
Counsel Thompson Investigating Committee.

Dear Mr. Moss:—Pursuant to your instructions, I have inquired further into the waste of public funds by the city authorities during the past several years and submit the accompanying report. In view of the fact that the city's share of the subway cost has increased from $164,000,000 to approximately $195,000,000, and that seventy million dollars of dock bonds were released from the debt limit to provide sufficient borrowing margin to meet the original estimate, it is well to understand how some of the city's money has been spent. In the matter of the purchase of Dreamland, Rockaway "Park" and the property of the First Construction Company in South Brooklyn, the circumstances are such as to warrant inquiry by those charged with enforcement of the criminal law. The city's resources were unwarrantedly dissipated in these transactions.

I will submit further report on matters affecting the city's financial affairs, and trust the committee will find a way to prevent the financial exhaustion which threatens New York.

Very truly yours,

HENRY H. KLEIN.

On July 13, 1911, the committee on corporate stock of the Board of Estimate, composed of John Purroy Mitchel, President of the Board of Aldermen, George McAneny, President of the Borough of Manhattan, and William A. Prendergast, Comptroller, recommended the selection and purchase of a site for a new court house in Manhattan, the purchase of a tract of land at Rockaway Point for a "park," the purchase of Dreamland and adjoining property at Coney Island and the construction of a physical railroad connection between the Centre Street subway and the Brooklyn bridge.

As a result of these recommendations and of subsequent action by the Board of Estimate, the city now has on hand an unsightly area north of the Municipal Building which cost $15,000,000 (including interest and loss of taxes), acquired as a court house site, an inaccessible strip of barren sand at Rockaway, a beach front at Coney Island which adjoins a tract several times as large already owned by the city, and a rail connection between the subway and the Brooklyn bridge which cost $800,000, and which has been finished but unused about two years.

The city acquired, through these same officials, a tract of land in the Erie Basin at South Brooklyn at a cost of more than one million dollars and a parcel of water front at Astoria on which the comptroller accepted an option of $1,300,000, though the property was assessed for less than half that sum.

Seaside (Rockaway) Park

This parcel consists of 248.3 acres, of which about 47 acres were under the waters of Jamaica Bay when acquired, since which time about 20 acres have been submerged by the Atlantic Ocean. The property lies beyond Neponsit at Rockaway and was owned by the Neponsit Realty Company, of which Remsen Johnson is president; William M. Greve, vice-president; Clifford S. Kelsey, treasurer, and Frederick Joerissen, Jr., secretary. It was part of a tract of 350 acres sold by the West Rockaway Land Company to the Neponsit Company in 1908, after the Board of Estimate declined to pay $1,000,000 for the larger tract. The Board of Estimate, through the comptroller, accepted an option on the 248 acres from William M. Greve as of August 1, 1911, for $1,225,000, with interest.

The city's experts were Lewis B. Sharp of Far Rockaway, who swore the value of the property was $620,000; Maximilian Morgenthau, whose appraisal was 744,000; A. C. Haynes, $755,000, and Andrew McTigue, $755,763. The experts for the Neponsit Realty Company and their appraisals were: Lewis H. May, $1,960,950; Bryan L. Kennelly, $1,982,707; Frederick J. Lancaster, $2,343,600, and William H. Reynolds, $1,986,888. Mr. May solicits loans for the Title Guarantee and Trust Company at Far Rockaway, and officers and directors of this company are officers and directors of

the Realty Associates which owns 75 per cent. of the stock of the Neponsit Realty Company. Frank Bailey is vice-president of the Title Company and President of the Realty Associates, and Messrs. Greve and Clifford S. Kelsey are vice-presidents in the Realty Associates and officers in the Neponsit Company.

Mr. Lancaster is president of the West Rockaway Land Company, which sold the property to the Neponsit Company, and Mr. Lancaster is president and Mr. Kennelly treasurer of the Courtney Development Company, which owns a tract of land in Long Island City. William H. Reynolds is associated in business with most of the officers and directors of the Realty Associates. Remsen Johnson, president of the Neponsit Company, is director in the Estates of Long Beach, of which Reynolds is president and Greve a stockholder.

Officers and directors of the Realty Associates contributed liberally to the campaign funds for Mayor Mitchel and Comptroller Prendergast in 1913. Joseph Huber, one of the directors, contributed $1,000 to the mayor's fund, and Charles S. Brown, James G. Wentz and Clarence H. Kelsey, other directors, also contributed. Frank Bailey contributed to the comptroller's campaign fund and William M. Calder, also a director, contributed. John Greve (brother of William M. Greve) contributed $1,000 to Mayor Mitchel and $200 to the comptroller's campaign fund. William H. Reynolds is credited with contributions totalling $5,067 to Mayor Mitchel and $100 to the campaign fund for President McAneny of the Board of Aldermen. There is reason to believe that Reynolds' contributions to the mayor's campaign greatly exceeds this sum.

In 1911 the parcel was assessed at $490,000, according to a report of Engineer Lewis of the Board of Estimate, and this assessment, which was included in that on the 350 acres, was raised in 1912, when the city took title, to $974,000. It will cost the city $100,000 to reclaim the forty-seven acres in Jamaica Bay, and in order to save the beach on the ocean side it will be necessary to construct jetties along 8,000 feet where the twenty acres have already been washed away. It will cost the city many thousands of dollars to grade the tract which lies northof Barren Island.

The commissioners in condemnation were William S. Cogswell, Clarence Edwards, a lawyer, and John J. Goodwin, a real estate dealer at Rockaway Park. Mr. Edwards has since been appointed judge of the court of special sessions by Mayor Mitchel. Mr. Goodwin sells lots at Neponsit on commission and is therefore engaged in business with officers of the Neponsit Realty Company. Mr. Cogswell has sat in many proceedings.

The commissioners awarded $1,250,000 with interest from March 14, 1912, the date title vested, totalling about $1,400,000. Had the city exercised its option it would have been obliged to pay interest and assume taxes from the date of the option and to pay claimant's disbursements. This would have totalled more than the award with interest. The award therefore was enough to justify the option, but not too great to make the option of value to the city. It was not disclosed before the condemnation commissioners on whose appraisal the option was accepted by the comptroller, though it has since developed that one of the appraisers was William P. Rae. Mr. Rae is regularly employed by the Realty Associates, which holds the property, and he and Bryan L. Kennelly, one of the experts for the Neponsit Company, are president and treasurer respectively of the Jamaica-Hillcrest Company. Mr. Rae contributed $100 to the comptroller's campaign fund, and he is treasurer of the Republican County Committee of Kings County, the largest individual contributor to the committee's fund in 1913 being John Greve, whose contribution was $1,000. This is distinct from other contributions.

The "park" is inaccessible to the poor of New York because it can be reached only by train over the Long Island Railroad (40 cents round trip), then by car; or by means of ferry from Sheepshead Bay. Since the city owns the property few persons have availed themselves of its recreative privileges, while in winter months none but the most hardy would venture over it. During the condemnation proceedings, counsel to the Neponsit Company, John J. Kuhn, exhibited the city's option to the commissioners, though he declined to produce the contract between his client and the West Rockaway Land Company to disclose the purchase price. Mr. Kuhn contributed $250 to Mayor Mitchel's campaign fund.

Of the 248 acres in the tract acquired by the city at an average of $5,000 an acre, forty-seven acres were acquired by the Neponsit Realty Company from the state at $200 an acre.

Never before, except in the case of Dreamland, and subsequently in the case of East River "park" at Astoria and the property of the First Construction Company in South Brooklyn, has the city accepted an option on property acquired through condemnation, the effect of such option being to fix a value authoritatively in advance of condemnation. In three of these instances the Realty Associates and their officers were the chief beneficiaries.

Dreamland and Coney Island "Park"

The Board of Estimate through the comptroller accepted an option on Dreamland from William H. Reynolds, president of the corporation, and the proposal to establish a public park at Coney Island included the acquisition of two adjoining parcels. Condemnation proceedings began in April, 1912, and the report of the commissioners was submitted to the court in the spring of 1915, the awards being as follows: Joseph Huber, trustee for the Dreamland Corporation, $1,014,602 for land and $20,000 for improvements; Prospect Park and Coney Island Railroad, $743,024.97, and to the estate of Mrs. Catharine Balmer, $401,144. These awards carried interest as follows: Dreamland, $158,949.61; Prospect Park and Coney Island Railroad, $136,345.08; Mrs. Balmer, $73,610. The awards with interest (including two slight awards to concessionaries) total $2,252,995.17. The entire tract, part of which is under water, comprises 13.8 acres, of which the Dreamland parcel is 7.16 acres, Prospect Park and Coney Island Railroad property 5 acres, and the Balmer tract 1.7 acres.

The report was accepted by Justice Blackmar in the Supreme Court in Kings County and reversed by Justice Mills in the Appellate Division, who said in his opinion the awards on Dreamland and the property of the Prospect Park and Coney Island Railroad were excessive by $500,000. The commissioners who made the awards are Charles J. McDermott, George A. Steves and William J. Duane.

The city acquired only part of the area occupied by Dreamland before the fire in May, 1911. In that year Mr. Reynolds swore to the tax commissioners that $400,000 was full market value for the entire property, and William M. Greve, Reynolds' expert, swore there had been no increase in values at Coney Island from 1904 to 1911. Another Reynolds' expert swore there had been no increase in values from 1907 to 1913. The entire Dreamland parcel, including a frontage of 292 feet on Surf Avenue, was purchased by Reynolds and his associates in 1903 and 1904 for $617,000. The area taken by the city does not include the Surf Avenue front running back 200 feet's and the experts, Martin McHale and Joseph P. Day, appraised at $518,000 and $579,000 respectively. William M. Greve testified that a Surf Avenue lot 100 feet deep was worth $1,500 a front foot, or $30,000 for a lot 20x100.

When the city acquired Dreamland and the adjoining area it had 63 acres under water and 30 acres upland beach at Coney Island toward Brighton Beach. The city's bath house is at West 8th Street on part of the latter. Borough President of the Bronx Cyrus C. Miller opposed the acquisition of the area embraced in the Coney Island "park" on the ground that the city already had sufficient park area and that the 63 acres should be reclaimed for $80,000. He also objected to the acquisition of the tract at Rockaway Point. Alfred T. White of Brooklyn offered $250 for the best engineering plan to restore the submerged beach, which was a popular summering spot less than a dozen years previous.

Before the option on Dreamland was accepted, Chief Engineer Lewis, of the Board of Estimate, reported that the Dreamland area to be taken was worth $340,000 and that the value of the Surf Avenue parcel remaining was $390,000. The option was accepted by the comptroller on the appraisals of William P. Rae and Bryan L. Kennelly, though this fact did not become publicly known for several years. In testifying for Reynolds in the First Construction Company (South Brooklyn) proceeding, Rae acknowledged that his appraisal of Dreamland for the comptroller was paid for by Joseph Huber, by arrangement with the comptroller. Mr. Kennelly swore he could not recall who paid him for his appraisal. Rae appraised Dreamland at $1,350,000 and Kennelly $100,000 less.

Reynolds' experts on Dreamland and their appraisals were: Howard C. Pyle, $1,440,700; William M. Greve, $1,277,000, and David Porter, $1,359,000. The city's experts and their estimates were: Martin McHale, $433,725; Joseph P. Day, $455,000. John Dunn, the city's tax assessor, swore the entire Dreamland tract, including the Surf Avenue portion, was worth $729,500.

The award was just above the option price leading Justice Mills to say that the award suggested to the ordinary mind "consideration of the option rather than the reverse." He added: "I think that the demand for the option by the commissioners was an erroneous proceeding. Even a bona fide offer made to the owner to purchase would be incompetent evidence in his favor."

The city had accepted two options on Dreamland, the first for $1,350,000, including the Surf Avenue front if acquired before November 11, 1911, or $1,500,000 if acquired through condemnation; the other for $1,000,000, excluding the Surf Avenue area. The final option was accepted by Comptroller Prendergast, President Mitchel of the Board of Aldermen and President Steers of the Borough of Brooklyn. Had the city exercised its option, the cost of Dreamland would have been greater than the award plus interest and taxes.

The award was subject to a mortgage of $400,000 held by the Title Guarantee and Trust Company, a mortgage for $300,000 held by the Hamilton Trust Company as trustee and a mortgage of $750,000 held as trustee by the Title Guarantee and Trust Company; also subject to provisions of a declaration of trust dated August 29, 1911, made by Joseph Huber. In this declaration of trust it is provided that the proceds from the sale of the Dreamland should go to redeem the above mortgages, the remainder to go to the holders of the "registered debenture bonds" which were issued to the owners of the $750,000 mortgage and income bonds.

The $400,000 mortgage held by the Title Guarantee and Trust Company was paid off by the insurance which the Dreamland corporation collected after the fire. The sale of the property to the city put new value into the bonds. The mortgage and income bonds were quoted at $200 for $500 par value prior to the fire. After the city accepted the option, the bonds were held for 20 per cent. above par because interest had been allowed to accumulate. Reynolds and Joseph Huber owned half the bonds, the balance being held by politicians and sporting men and by the City Real Estate Company, a subsidiary of the Title Guarantee and Trust Company.

The city's failure to reclaim the 63 acres of submerged beach between Coney Island and Brighton at a cost of only a small fraction of the total awards, is a benefit to the company known as Brighton-by-the-Sea which owns the area including the Brighton Beach race track and other property at the beach. The property of the Parkway Baths Company is also greatly benefitted because less public bathing beach is provided. William M. Greve is manager of Brighton-by-the-Sea and secretary and treasurer of the Parkway Baths Company. Clifford S. Kelsey is president of the Parkway Baths Company and secretary and treasurer of Brighton-by-the-Sea. Both companies are controlled by the Realty Associates.

After the city acquired Dreamland, it was obliged to spend $25,000 to remove the debris from the burned area and it authorized the expenditure of $55,000 to construct a pier which was leased in advance for twenty years to a company controlled by Reynolds' associates. This lease, made by the Sinking Fund Commission of which the mayor and comptroller are the directing officers, was rescinded after protest by citizens.

South Brooklyn (Terminal) Property

Besides these expenditures for so-called public improvements, based on the report of Messrs. Mitchel, Prendergast and McAneny, to the Board of Estimate, the city ventured on other "improvements" for the benefit of Mr. Mitchel's friends and other land speculators. One of these projects is the acquisition of a tract of land in the Erie Basin for more than a million dollars and another is the purchase of 56 acres of land and land under water in Astoria on which the comptroller accepted an option of $1,300,000. The commissioners in this proceeding made an award of $725,000 after exhaustive testimony, in spite of the city's option.

The purchase of the South Brooklyn tract from the First Construction Company and others associated with William H. Reynolds, president, is based on the report of Mr. Mitchel as chairman of the Committee on Waterfront Improvement of the Board of Estimate. Mr. Mitchel reported early in 1913 after two years of study, that the city should acquire land to the amount of $4,000,000 for a classification yard for a proposed terminal railway and he recommended the payment of $2,557,977 to the Bush Terminal Company for its franchises, track and freight equipment and $1,676,120 to the New York Dock Company for similar "property." Mr. Mitchel also recommended the acceptance of an option from Mr. Bush for $10,100,000 for several piers which were built several years previous at less than half the option price. The franchises which Mr. Mitchel recommended the city should buy were granted to Mr. Bush a few years previous. Frank Bailey and E. T. Bedford, trustees of the Title Guarantee and Trust Company, are directors of the Bush Terminal Company and Mr. Bush is director and bondholder of the Estates of Long Beach of which Reynolds is president. Messrs. Les S. Brown and Charles A. Peabody, directors of the Realty Associates, are directors of the Bush Company.

The net result of Mr. Mitchel's plan and recommendation for a terminal railroad along South Brooklyn to be paid for by the city and operated by private interest, is the acquisition of 1,308,107 square feet of property owned by Reynolds and others backed by the Realty Associates. The records produced before the condemnation commissioners by the city's attorney, show that on June 20, 1910, the Blue Stone Realty Company sold to the City Real Estate Company, 163,921 square feet at 51 cents a square foot and that the Blue Stone Realty Company acquired that property the same day from various owners. On July 30, 1910, the City Real Estate Company acquired from the estate of John H. Powers, half of parcel 22, a deed to the other half being given to William D. Franklin, who transferred the property on the same day to the City Real Estate Company, which deeded the entire tract on October 8, 1913, to the First Construction Company.

In June, 1910, Ainley W. Jones, dummy for the Realty Associates, acquired 114,437 square feet of the condemned area at 46 cents a square foot from Kate Duryea. On March 17, 1911, the Beard Estate gave an option to Charles B. Houston, a clerk in Reynolds' office, to 837,678 square feet at 60 cents a square foot. This option was held until March 17, 1913, on the payment of $100, when Houston paid $2,606.80 and gave back to the Beard Estate a purchase money mortgage at 4½%. The records also show that on March 19, 1913, the Beard Estate sold 1,442,091 square feet to the First Construction Company at 68 cents a square foot, having given Houston an option on the property two years previous. The state acquired most of this property from Reynolds who claimed $1.76 a square foot and who received an award of 75 cents a square foot after three years inquiry by the Court of Claims. Reynolds was represented by half a dozen eminent attorneys.

The comptroller accepted an option of $1.30 a square foot on Reynolds' property on the appraisal of Rae and Kennelly, who also appraised Dreamland. In spite of the fact that he was the comptroller's private appraiser, Rae appeared before the city's condemnation commissioners and swore on behalf of Reynolds, that the latter's property was worth $1.32 a square foot and he appeared as Reynold's expert before the Court of Claims and testified to $1.74 a square foot as the value of Reynold's property taken by the state for barge canal purposes. Reynold's property, taken by the city, was carried on the city's tax books at 34 7-10th cents a square foot. In all, the city is taking 618,420 square feet of the property under option, the balance of the condemned area being made up mainly of parcels owned by Realty Associates. Rae, in qualifying as an expert for Reynolds before the Court of Claims, swore that he appraised the property of the Bush Terminal and New York Dock Companies for the city authorities.

The condemnation commissioners are Stephen G. Baldwin, William P. Moffat and Edward F. Linton. The first chairman was Andrew J. Corsa, who died before testimony was taken. Mr. Corsa was an intimate friend of Reynolds and procured a low rate of insurance for Reynolds on Dreamland.

The project to construct a municipal terminal railway along the South Brooklyn waterfront is virtually dead, the railroads declining to venture on its operation because there is no prospect of earning interest on even half the estimated cost. The city has spent more than eight million dollars for property along the South Brooklyn water front during the past ten years on which virtually no income has been derived.

Since the proceedings before the State Court of Claims and the city's condemnation commissioners have been concluded, all the property not disposed of has been transferred to the Realty Associates and the Exeter Corporation. The

Exeter Corporation was incorporated July 15, 1914, with John H. Whyte, Stephen G. Tuthill and William G. Groves, directors. On May 10, 1915, these directors were succeeded by Frank Bailey, Clifford S. Kelsey and William M. Greve.

East River (Astoria) "Park"

In March, 1905, the East River Land Company bought various parcels of property in Astoria, comprising 130 acres with a total mortgage indebtedness of $830,000. The company intended to develop the tract but the sale of lots was slow and the venture unprofitable. On October 15, 1910, the East River Land Company deeded the property to the Woodward-Brown Company which incorporated a few days previous, the directors being William H. Woodward, Wilson R. Brown and Edward J. Rickert.

On July 31, 1913, the Board of Estimate adopted a resolution to acquire 56 acres of this property including 8 acres in the bed of the streets, and a similar area under the waters of the East River, and on August 28th following, an option for $1,300,000 was accepted by the comptroller, though the assessed value of the parcel was $564,950. In 1909 the parcel was assessed at $352,825 and in 1910 at $363,625. The condemnation commissioners were Denis O'Leary, Henry E. Gelwick and William H. Hamilton and the city's attorney brought out the fact that lots were sold by the East River Land Company on strength of the representation that the tract under condemnation had been dedicated as a city park.

The city's experts, Martin McHale and William Richenstein, swore respectively that the property under condemnation was worth $476,932 and $513,867.70. The claimant's experts, William M. Dean and Floyd S. Corbin, swore respectively that the value was $1,955,733 and $1,809,127.19. The city's option of $1,300,000 was not introduced and the city's counsel was not informed on whose appraisal the option was accepted by the comptroller. It developed from the testimony that the part taken by the city had cost the East River Land Company about $500,000. The city began the condemnation proceedings in 1907 to acquire the property, but the proceedings were discontinued. The New York Connecting Railroad subsequently bought a strip through the property over which a viaduct has been erected. The appraisal made for the city at the proceeding in 1907, fixed the value of the property including the strip taken for the viaduct, at under $600,000. The railroad paid $1,000,000 for the viaduct property.

The commissioners filed a preliminary report in the spring of 1915 awarding the Woodward-Brown Company $725,000, but before they concluded taking testimony, Lamar Hardy, subsequently appointed corporation counsel, submitted a brief in an attempt to sustain the value of the parcel claimed by the Woodward-Brown experts. Since his appointment as corporation counsel, Mr. Hardy is the superior in office of the city's attorney on whose efforts the award is based. Mr. Hardy was treasurer of one of Mayor Mitchel's campaign committees and one of the contributors to the mayor's campaign fund is E. J. Rickert, of the Woodward-Brown Company, whose contribution was $1,000. The mayor's campaign statement shows C. H. Rickert, brother of E. J. Rickert, contributed $100.

THE COURT HOUSE AND THE COURT HOUSE SITE

The acquisition of the court house site entails the expenditure of at least $10,000,000 for a court house, the original plan being to spend $15,000,000 for a structure and $6,000,000 for a site. The city now has a $15,000,000 site and no structure. Under the act creating the Court House Board, the members of the body were charged with the responsibility of selecting a site. The board chose the site of the present court house in City Hall park. This choice was rejected by the Board of Estimate which had a bill drawn and introduced in the legislature lodging power with the Board for the selection of a site. The present site was then selected. A competition was held for architectural designs for a new building and a choice made of a circular structure to cost approximately $10,000,000. These plans were accepted by Messrs. Mitchel, McAneny and Prendergast and a fee of 6 per cent on the estimate cost of the structure allowed. The architect has already been paid $300,000 but not a dollar of construction work has been done and the foundation will not be laid on the site chosen BEFORE the design was made. This site cost $6,243,668 with interest and it was found after purchase that it covers the old Collect Pond over which no secure foundation can be built. The second site, to the east of the first, cost $5,283,000 with interest and was acquired on the responsibility of the same three members of the Board of Estimate. The sites also include two parcels of property owned by the city, which cost $1,300,000. The city loses annually about $250,000 taxes, besides interest on the bonds issued for the property.

THE BROOKLYN BRIDGE-SUBWAY CONNECTION

The physical connection between the bridge and the subway under the Municipal Building has not been used since it was finished. The construction was authorized to relieve congestion on the Brooklyn Bridge by distributing passengers over the other bridges. The Brooklyn Rapid Transit Company which alone can use the connection has declined to do so. It maintains that the Bridge Department will not permit trains of more than four motor cars to operate over the bridge and trains of such length are inadequate on the elevated lines in Brooklyn when their reconstruction is finished. The B. R. T. also declines to pay interest and amortization on the cost of the connection unless that amount is deducted from the city's share under the subway contract. In order to accommodate trains of more than four motor cars, the bridge must be reconstructed or strengthened at a cost of several million dollars and this cannot be done for several years. The city is losing approximately $30,000 a year interest on the cost of the "improvement."

How Reynolds and His Associates "Put It Over" on the City Before

The following report discloses how Reynolds and his associates have been "putting it over" on the city for years. Their methods under Mitchel and Prendergast have not changed. They always "get" the responsible public officials in order to put their deals across.

December 1, 1916.

Hon. Frank Moss,
Counsel Thompson Investigation Committee.

Dear Mr. Moss:—Pursuant to your instruction and supplementing my report of September 2, I submit herewith my report of my investigation of William H. Reynolds and his associates with him in extracting large sums of money from the city treasury through the sale of property to the city. Not only has this group succeeded in imposing on the city and its taxpayers to the extent of many million dollars, but they are trying to gouge the state in connection with the sale of property for a barge terminal site in the Erie Basin, South Brooklyn, and they are trying to impose on the Federal Government through the sale of a stretch of sand at Rockaway Point adjoining the city's "park," at an exorbitant price. The city paid Reynolds' associates far in excess of the value of the property which it acquired at Rockaway.

The parcel which the state acquired from Reynolds and his associates in the Erie Basin, is part of a tract which they obtained from the Beard Estate at less than 65 cents a square foot and on which the city took an option of $1.30 a square foot. The State of New York, through the Court of Claims, fixed a value of 75 cents a square foot on Reynolds' property a year after the city accepted its option and after listening to the testimony of Reynolds' experts. The State Canal Board had previously declined an option of $1.25 a square foot for the property. The Court of Claims awarded $1,161,516.50 for 1,422,022 square feet and Reynolds is now trying to increase the award with the aid of the half dozen lawyers who represented him in the proceeding. The award carries with it interest from April 12, 1912, to May 31, 1915, totalling $201,702.83. (Charles E. Hughes now represents Reynolds' backers). Had the City of New York adopted this value instead of $1.30 a square foot, it would have saved more than 42 per cent on the amount it agreed to pay Reynolds under option.

Reynolds offered the state 1,744,274.51 square feet at $3,101,509.21. The Court of Claims filed its award November 28, 1914. William P. Rae, who was one of the comptroller's experts on whose appraisal the option figure of $1.30 a square foot was based, testified before the Court of Claims for Reynolds. He swore that the property was worth $1.74 a square foot, or a total of $2,925,538.50. Mr. Rae has since been elected president of the Real Estate Exchange of Brooklyn, succeeding William G. Morrissey who, as appraiser for the Canal Board, recommended that the state take an option of $1.25 a square foot from Reynolds. Mr. Morrissey was at that time appraiser for the Realty Associates which backed Reynolds and the First Construction Company in the purchase and sale of the property. Had the option been executed Mr. Reynolds stood to receive $1,777,527 for the property instead of an award of $1,081,516.50. Mr. Reynolds had other experts who swore the property was worth $1.70 a square foot.

Floyd Corbin, expert for the state, swore the property was worth 88.77 cents a square foot less the cost of filling, dredging and bulkheading to make it serviceable. Thomas J. Hanlon, city assessor, swore that the Reynolds' tract was worth $700,500, or at the rate of 48 cents a square foot. Two other state experts valued the property at $575,808.80. The evidence shows that Reynolds' First Construction Company acquired the property from Reynolds' dummy on June 14, 1913; that the dummy acquired it a few months previous from the Beard Estate; also that part of the property was transferred direct to the First Construction Company by the Beard Estate. A few months prior to these transfers, the Beard Estate heirs swore the property was worth 65 cents a square foot.

Since the Reynolds' parcel was taken by the state all the balance owned by the First Construction Company was transferred to the Realty Associates and the Exeter Corporation, a dummy for the Realty Associates. These transfers are dated January 5, 1915, and the property includes eight blocks in the Erie Basin. The Canal Commission which was created by the Legislature in 1909, recommended the acquisition of the Erie Basin site for a barge terminal on March 1, 1911. Within two weeks, Reynolds' dummy obtained an option on the property which was subsequently taken by the city and state.

MONTAUK THEATRE AND MANHATTAN BRIDGE APPROACH

In the proceedings to acquire a Brooklyn approach to the Manhattan Bridge, Reynolds and his associates profited handsomely out of the city. They received $500,000 for the Montauk Theatre and site and the city paid the Realty Associates $826,250 for various parcels of property which that company acquired in anticipation of resale to the city. Profits of Reynold's Montauk Theatre Company was 200 per cent. and the profits of the Realty Associates was about $400,000. The Montauk Theatre Company was capitalized at $200,000 but the full capital was never paid up. The city paid $230,000 for the theatre BUILDING which it later resold to the DeKalb Company, a dummy for the Realty Associates, for $11,350. The building was moved across Flatbush Avenue, rebuilt and converted into a theatre by Associates. It is now conducted as a profitable playhouse. Associated with Reynolds in the Montauk Theatre Company were the late Patrick H. McCarren, former Sheriff Frank D. Creamer, John J. McGarry, John McGarty, William J. Buttling, William Berri, Michael J. Coffey, John Cottier, Granville W. Harmon, George F. Dobson, and others. Mr. Dobson was managing editor of the "Brooklyn Daily Eagle." He was secretary of the Montauk Theatre Company and is secretary of the New Montauk Theatre Company. He, Reynolds and Frank Bailey, are trustees in dissolution of the Montauk Theatre Company. One of those who appraised the theatre property for the CITY was Ezra Bushnell, who was director with Reynolds and Bailey in the Livingston Realty Company.

In the acquisition of property surrounding the theatre which it sold to the city, the Realty Associates concealed its activities behind the City Real Estate Company, a subsidiary of the Title Guarantee and Trust Company, which acquired several parcels and transferred them to the Realty Associates. The Title Guarantee and Trust Company owns a large share of stock in the Realty Associates. In testifying before the condemnation commission a few years later, Clifford S. Kelsey, general manager of the Realty Associates, acknowledged that he knew that Flatbush Avenue was to be extended to connect with the new bridge. He also acknowledged that the Realty Associates speculated in real estate in a large way.

The Realty Associates received $400,000 for permanent easement to their property before the fee was purchased. They received $350,000 for fee, $50,000 for temporary easement and interest on the total awards. They also received $50,000 award and interest on various other parcels and the City Real Estate Company received $6,500. Frank Bailey, vice president of the Title Guarantee and Trust Company, is president of the Realty Associates and treasurer of the City Real Estate Company.

LOTUS REALTY CO. AND BAY RIDGE WATERFRONT

The Realty Associates and its officers made a handsome profit out of the city through the sale of a parcel of waterfront at the foot of Fifty-ninth Street, South Brooklyn, several years ago. The city had begun condemnation proceedings to acquire the entire waterfront from Fifty-seventh to Sixty-first Street, owned by two private estates, when the Lotus Realty Company, composed of dummies for the Realty Associates, purchased part of the area under condemnation. The city then entered into negotiations with the Lotus Company and on March 2, 1908, acquired its parcel at $1.10 a square foot, or a total of $847,284.90. The Lotus property was assessed at 25 9-10 cents a square foot. The rate at which it was taken by the city fixed the price for other parcels along the waterfront. Within a week, the city paid the Cutting Estate, through W. Bayard Cutting, $4,666,490 for property between Twenty-eighth and Thirty-sixth Streets (at the rate of $1.10 a square foot), and it paid the South Brooklyn Ferry Company, owned by the Cutting Estate, $750,000 for property, at the same rate. The condemnation commission, which continued its proceedings to acquire the balance of the property between Fifty-seventh and Sixty-first Streets, awarded the owners 65 cents a square foot several years AFTER the city paid $1.10 a square foot to the Lotus Realty Company. The property purchased from the Lotus Company is still unused by the city.

LIVINGSTON STREET WIDENING

William H. Reynolds and the Realty Associates made large profits out of the city through the widening of Livingston Street, authorized by the Board of Estimate in 1903. The city, through condemnation proceedings, paid $108,740 to the Second Construction Company, of which Reynolds was president, and $72,110 to the Realty Associates. Both companies acquired various parcels in anticipation of resale to the city and in testifying before the condemnation commission, Reynolds swore he purchased eighteen houses on Livingston Street from the Realty Associates. The city took thirty feet off the front of Reynold's property and paid him more than the total cost. The Second Construction Company was organized in June, 1903.

OTHER PROCEEDINGS

In extending Grand Street (Brooklyn) from Hooper to Havemeyer, the city paid the Realty Associates $31,502.05 for property which it owned and in other proceedings it paid large sums of money to persons representing Reynolds, or the Realty Associates, or affiliated with them. In the proceeding to extend Flatbush Avenue from Concord to Nassau Street, the city paid Henry A. Fry, assistant secretary of the Realty Associates, $8,000, and in the proceeding to acquire property for a playground in Brownsville, the city paid the Brownsville Company, of which Clifford S. Kelsey is president, $3,300. The Realty Associates was also interested in the Joralemon Street proceeding and it owned property acquired by the city for subway purposes at Flatbush and Atlantic Avenue and Flatbush Avenue and Willoughby Street.

Besides these various transactions, the Realty Associates is now establishing its claim for property along the Gravesend Canal which is under condemnation as a "drainage ditch." The Realty Associates owns fifteen parcels in this proceeding and William P. Rae, testifying for the claimant, estimates the damage at $171,850. Since this proceeding was begun, an effort has been made to induce the city to exchange fifty-two acres which it owns at the mouth of the canal for twenty-one acres owned by the Harway Improvement Company in which stockholders of the Realty Associates are interested with Nicholas F. Brady, who controls the company. Negotiations with the city on behalf of the Harway Company were conducted by William M. Greve and legislation was attempted to aid the transaction. The condemnation proceedings which were suspended pending action by the corporation counsel, have been resumed by order of the court.

It is evident from these facts and from those in the previous report, that Reynolds and his associates have profited largely out of the City of New York and that their disposal of Dreamland, Rockaway "park" and Erie Basin property to the city and state during the past few years is on a

par with their previous sale of property to the city. THE CITY HAS PAID FULLY $10,000,000 TO REYNOLDS AND HIS ASSOCIATES DURING THE PAST TEN YEARS AND THEIR PROFITS AMOUNT TO SEVERAL MILLION DOLLARS. One of the results of these transactions is an expanded public debt and an increased cost of city government, besides the enrichment of Reynolds and his friends.

How the State was Deprived of Revenue by Reynolds-Greve-Bailey Corporations

Not only have Reynolds and his associates made large profits out of the city and state, but the state has been denied a large part of the revenue to which it is entitled for permitting them to do business. Under the state law a corporation is obligated to pay a tax of one and a half mills on the par value of its stock if its earnings equal or exceed 6 per cent dividend and a nominal return otherwise.

In the case of the Dreamland Corporation, the records in Albany show that the state has received a total of $11.25 taxes since 1910, this sum having been paid in 1913. In 1910 Reynolds, as president of the corporation, reported gross liabilities of $766,000, and for 1913, the report signed by Reynolds, shows liabilities of $1,203,000. In the report for 1914, Reynolds states that the company has ceased business. "Its property was destroyed by fire in 1911," he swears; "its real estate was lost to the company by confession of judgment in a suit concerning the issue of debenture bonds and is now owned legally and actually by private parties." Nowhere does he tell of the sale of the property to the city of New York.

The Neponsit Realty Company, which sold the city the sand pit at Rockaway Point for $1,250,000, has actually paid the state $243.76 since 1910. The 1915 report signed by Remsen Johnson, president, and Clifford Kelsey, treasurer, shows assets of $922,000 and liabilities of $664,000, leaving an equity of $258,000. The 1914 report showed a total liability of $703,000. The company paid the state $6 in 1910, $12 each year in 1911, 1912 and 1913; $8.24 in 1914, and $193.52 in 1915. The reports do not tell of the sale of property to the city.

The First Construction Company, which is selling the city and state property in the Erie Basin, has paid no corporation tax. Reynolds, as president, reported that the company owns a lease "valued at $150,000 and lots at Sheepshead Bay valued at $2,000." No mention is made of the property under condemnation by city and state.

The Montauk Theatre Company, which sold the theatre and site to the city, has been out of business, according to report, since 1905, though its property was not acquired until after that year. In 1914 it reported paying 6 per cent. dividend. In 1914, Frank Bailey, George Dobson, and William H. Reynolds, were still trustees in dissolution. The 1904 report is signed by Frank Bailey, treasurer, and George F. Dobson, secretary.

The Second Construction Company, which received $106,740 from the city, has paid no taxes to the state, judging from its reports. In 1903 Reynolds was president and the secretary reported that none of the $600,000 capital was subscribed. No mention is made, in a subsequent report, of the sale of property to the city or of the proceeds derived therefrom.

The De Kalb Company, which purchased the Montauk Theatre building from the city and transferred it to the Realty Associates, has paid no corporation tax. Its report for 1909 (the only report on record) shows assets of $12,000, consisting of $10,000 personal property and $2,000 bank balance. The report is signed Frederick Joerissen, Jr., secretary. Mr. Joerissen is also secretary of the Neponsit Realty Company.

The report of the Exeter Corporation shows assets of $490,434, liabilities $465,932; no dividends. The report is signed by William M. Greve, president; Frank Bailey, vice-president, and Clifford S. Kelsey, secretary and treasurer.

The Lotus Realty Company was taxed on $5,000 capital stock for 1911 and 1912, but beyond that paid no corporation tax. The amount paid was $7.50 each year.

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